Government of Saskatchewan

Annual Report 1987-88

The Saskatchewan Agricultural Returns Stabilization Fund

89-03443/

To Her Honor
The Honourable Sylvia Fedoruk
Lieutenant Governor
Province of Saskatchewan

Madam:

I have the honour to submit the Annual report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1988.

I have the honour to be, Madam,
Your obedient servant,

Grant Devine,
Premier and
Minister of Agriculture

Honourable Grant Devine
Premier and
Minister of Agriculture

Dear Sir:

It is my pleasure to present the Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1988.

Respectfully submitted,

Deputy Minister
of Agriculture

Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund 1987 - 1988

The Fund

The Saskatchewan Agricultural Returns Stabilization Fund was established pursuant to Section 5 of the Saskatchewan Agricultural Returns Stabilization Act. The Fund was established to carry out programs established under the Act.

The Fund has separate accounts for each market insurance program established pursuant to the act. In 1987/88 the Fund had three accounts for the three market insurance plans. The accounts were:

a) the cow calf to finish account for the cow calf to finish market insurance plan

b) the feeder finish account for the feeder finish market insurance plan, and

c) the Saskatchewan Hog Assured Returns Program account for the Saskatchewan Hog Assured Returns Program (SHARP).

Each account obtains revenue from levies assessed on eligible animals sold by participating producers. The levies paid by participating producers are matched by the Government of Saskatchewan. Whenever the plans make any payouts, they are made from the account. Each account earns interest on fund balances and pays interest on fund deficits.

When an account does not have a sufficient balance to make a payment it can borrow money from the Consolidated Fund of the Province. The terms and conditions of these loans are determined by the Lieutenant Governor in Council.

Accounts in the Fund

1. Cow Calf to Finish Account

The cow calf to finish market insurance plan provides protection to producers who have a cow herd and finish their calves for slaughter. The support level is calculated on the basis of a cost of production model and includes all cash costs plus 50% of non cash costs.

Enrollment is based on the cow herd with payments based on actual marketings up to a maximum of 90% of the enrolled cow herd. The maximum enrollment is 200 slaughter animals per operator up to a maximum of 3 operators per production unit.

The plan is funded by a levy on slaughter animals. The long term levy is 4% of the value of the slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy has been at 6% since 1983 due to the large deficit.

2. Feeder Finish Account

The feeder finish market insurance plan provides protection to Saskatchewan residents who own or purchase feeder cattle and finish them for slaughter. The support level is calculated on the basis of a cost of production model for a 650 lb. steer finished to 1050 lbs. All cash costs and 50% of non cash costs are included in the support formula.

The maximum enrollment is based on whether the resident is a feedlot operator or a custom feeder. The maximum finished cattle for any resident is 5,000.

The plan is funded by a levy on slaughter animals. The long term levy is 2% of the value of a slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1987-88 was 3.0% due to the deficit in the account.

3. SHARP Account

The Saskatchewan Hog Assured Returns Program provides protection to producers who finish hogs for slaughter. The support level is calculated on the basis of a cost of production model for a 65 sow farrow to finish operation. All cash costs and 75% of non cash costs are included in the support formula.

Enrollment is based on the production unit which finishes hogs. The maximum enrollment is 1500 hogs per quarter per production unit.

The plan is funded by a levy on finished hog. The long term levy is 3% of the value of a finished hog, matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1987-88 was 4.5%.

Saskatchewan joined the national tripartite stabilization plan for hogs on January 1, 1986. As a consequence of joining the national tripartite plan, the level of support offered by SHARP will reduce until the plan is terminated on March 31, 1991.

Plan Operations

Slaughter Cattle Plans

Slaughter cattle prices declined from levels of a year ago for three quarters out of four in 1987-88. Payouts were made in every quarter under both the cow calf to finish plan and the feeder finish plan.

The plan operations for the fiscal year are as follows:

Cow Calf to Finish Plan

	1987			1988
	Q2	Q3	Q4	Q1
Slaughter cattle covered	25,910	23,230	10,960	10,366
Support price[1] $/lb.	$1.4608	1.4581	1.4335	1.4453
Market price[1] $/lb.	$1.4813	1.4531	1.4348	1.4290
Average payout[1] $/lb.	$0.0058	.0221	.0213	.0333

[1]/ basis rail grade hot carcass weight

Feeder Finish Plan

	1987			1988
	Q2	Q3	Q4	Q1
Slaughter cattle covered	33,945	41,894	44,500	62,878
Support price[1] $/lb.	$1.5459	1.6043	1.6498	1.6859
Market price[1] $/lb.	$1.4813	1.4531	1.4348	1.4290
Average payout[1] $/lb.	$0.0618	.1519	.2234	.2531

[1]/ basis rail grade hot carcass weight

Hog Plan

	1987			1988
	Q2	Q3	Q4	Q1
Hogs in plan	160,743	156,114	166,243	180,421
Support price $/lb. dressed	$69.24	69.86	68.94	68.59
Market price $/lb. dressed	80.65	87.86	66.37	61.11
Average payout $/lb. dressed*	0	0	1.80	4.01

* reduced due to phase over provisions to join tripartite

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

FINANCIAL STATEMENTS

Year Ended March 31, 1988

OFFICE OF THE PROVINCIAL AUDITOR

REGINA, SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of The Saskatchewan Agricultural Returns Stabilization Fund as at March 31, 1988 and the statements of revenue, expenditure and fund balance and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the fund as at March 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
June 23, 1988 except as to
Cow Calf to Finish Market
Insurance Plan and Feeder
to Finish Market Insurance
Plan which is as of
October 7, 1988.

Statement 1

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

BALANCE SHEET

As at March 31

	1988				1987
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	
ASSETS					
Cash	$ 11,987	$ 117,877	$ 640,928	$ 770,792	$ 2,520,279
Contributions receivable					
- Department of Agriculture (Note 3)	273,047	1,747,862	1,411,974	3,432,883	2,833,938
- Saskatchewan Pork Producers Marketing Board	243,642	—	—	243,642	306,973
- Producers (Note 3)	922	847,325	257,056	1,105,303	985,830
- Saskatchewan Beef Stabilization Board - producers trust account	—	161,208	636,842	798,050	1,127,506
- Saskatchewan Agricultural Returns Stabilization Fund - Cow/calf Insurance Plan	—	—	—	—	3,092
- Saskatchewan Agricultural Returns Stabilization Fund - Feeder/Finish Insurance Plan	—	7,880	—	7,880	—
Accrued interest receivable	79	4,276	3,450	7,805	15,351
	$ 529,677	$ 2,886,428	$ 2,950,250	$ 6,366,355	$ 7,792,969
LIABILITIES AND FUND BALANCE					
Liabilities					
Stabilization payable to producers	$ 1,386,754	$ 211,814	$ 10,444,359	$ 12,042,927	$ 3,758,590
Loans - Department of Agriculture	22,986,018	45,085,297	14,702,046	82,773,361	81,509,258
Accrued interest payable	995,741	1,480,123	484,225	2,960,089	3,131,486
Due to Feeder Finish Market Insurance Plan	—	—	—	—	3,092
Due to Cow/Calf Market Insurance Plan	—	—	7,880	7,880	—
Fund Balance					
(Fund deficiency) - Statement 2 (Notes 3, 5 and 6)	(24,838,836)	(43,890,806)	(22,688,260)	(91,417,902)	(80,609,457)
	$ 529,677	$ 2,886,428	$ 2,950,250	$ 6,366,355	$ 7,792,969

(See accompanying notes to the financial statements)

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE

For the Year Ended March 31

	1988				1987
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	
Revenue					
Producer contributions	$ 1,346,856	$ 4,496,954	$ 4,485,059	$ 10,328,869	$ 9,431,236
Department of Agriculture	1,346,856	4,496,954	4,485,059	10,328,869	9,431,236
Interest	6,475	89,115	84,396	179,986	206,146
	2,700,187	9,083,023	9,054,514	20,837,724	19,068,618
Expenditure					
Stabilization to producers	2,004,409	773,698	22,642,276	25,420,383	21,451,066
Loan interest	2,048,761	3,165,533	878,410	6,092,704	6,024,130
Bad debt expense	--	123,942	3,236	127,178	56,299
Other	784	2,642	2,478	5,904	2,796
	4,053,954	4,065,815	23,526,400	31,646,169	27,534,291
(Deficiency) excess of revenue over expenditure (Note 3)	(1,353,767)	5,017,208	(14,471,886)	(10,808,445)	(8,465,673)
Fund balance (deficiency), beginning of year (Note 3)	(23,485,069)	(48,908,014)	(8,216,374)	(80,609,457)	(72,143,784)
Fund balance (deficiency), end of year (Notes 3, 5 and 6)	$(24,838,836)	$(43,890,806)	$(22,688,260)	$(91,417,902)	$(80,609,457)

(See accompanying notes to the financial statements)

Statement 3

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended March 31

	1988	1987
Cash from (used in) operations:		
(Deficiency) of revenue over expenditure	$(10,808,445)	$(8,465,673)
Net change in non-cash working capital balances	7,794,855	439,031
Cash used in operations	(3,013,590)	(8,026,642)
Cash provided by financing activities:		
Increase in loans advanced from the Department of Agriculture	1,264,103	10,327,368
Total cash (used) provided	(1,749,487)	2,300,726
Cash, beginning of year	2,520,279	219,553
Cash, end of year	$ 770,792	$ 2,520,279

(see accompanying notes to the financial statements)

THE SASKATCHEWAN AGRICULTURAL RETURNS STABILIZATION FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1988

1. Accounting Policies

These financial statements are prepared on the accrual basis of accounting and include the stabilization amounts payable to the producers with respect to the activities for the quarter ending March 31. The following are the other significant accounting policies:

a) Revenue Recognition

Producer contributions and government contributions are recognized on the basis of slaughter date.

b) Government Contributions

In accordance with Section 6(2) of The Saskatchewan Hog Assured Returns Program Regulations, 1983 and in accordance with Section 7(2) of both The Cow Calf to Finish Market Insurance Plan Regulations and The Feeder Finish Market Insurance Plan Regulations, the Department of Agriculture, from money appropriated under the Act, contributes a matching amount equal to the total of levies charged to participants.

c) Distribution on Termination

Provision is made in Section 4 of the regulations for a distribution of the fund balance if the program is ended. Any surplus, as determined by the regulations, which remains if the program ends will be shared equally between the participants and the Consolidated Fund of the Province. Any deficit, as determined by regulation, would be repaid by the Department of Agriculture, from money appropriated under the Agricultural Returns Stabilization Act (hereafter referred to as the Act).

d) Loans from the Department of Agriculture

i) Saskatchewan Hog Assured Returns Program

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 288/86 authorized loans not exceeding $35 million to be made to the fund which will bear interest at a rate calculated April 1 and October 1 each year based on the preceding six month average cost of money to the Consolidated Fund for that period.

ii) Cow Calf to Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 1040/85 authorized loans not exceeding $50 million to be made to the Beef Stabilization Account, which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period. Order-in-Council 790/85 provides that no interest is charged on the first $13,127,303 of the loan.

iii) Feeder Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 873/87 authorized loans not exceeding $15 million to be made to the Beef Stabilization Account, which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period.

2. Authority

The Saskatchewan Agricultural Returns Stabilization Fund was established by the Saskatchewan Agricultural Returns Stabilization Act to carry out the following programs established by the Lieutenant Governor in Council to stabilize returns to producers:

i) Saskatchewan Hog Assured Returns Program (SHARP)

This program was established in 1976 under regulations issued pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975. These regulations have been revoked and the program continues under The Saskatchewan Hog Assured Returns Program Regulations, 1983 (Order-in-Council 998/83) effective July 1, 1983. These regulations were subsequently amended by Order-in-Council 1399/83, 1170/84 and 696/86.

ii) Cow Calf to Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 457/83 pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975.

iii) Feeder Finish Market Insurance Plan

This Plan was established under regulations authorized by Order-in-Council 456/83 pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975.

3. Adjustment to Levies

In prior years, the Board did not charge the Department of Agriculture the full amount of the matching levies specified under Section 7(2) of The Cow Calf to Finish Market Insurance Plan Regulations and The Feeder Finish Market Insurance Plan Regulations. Participant levies which had not been collected were not included in the Department's matching contributions. In addition, the Board did not record the unpaid levies due from participants on animals enrolled under the Feeder Finish Market Insurance Plan and marketed outside the Board. The financial statements have been retroactively adjusted to include the additional matching contributions due from the Department and the additional levies due from the participants. As a result, the fund balance at April 1, 1987 has been increased by $859,603. Of the $859,603, $211,497 is applicable to the 1987 year and is reflected in the excess of revenue over expenditure for that year. The remaining $648,106 is applicable to years prior to April 1, 1986. On the balance sheet, the 1987 contributions receivable from the Department of Agriculture were increased by $680,203 and the 1987 contributions receivable from the producers were increased by $179,400. In 1988, these changes have resulted in a $187,252 increase in the excess of revenues over expenditures, and the contributions receivable from the Department of Agriculture were increased by $147,252 and the contributions receivable due from participants were increased by $40,000.

4. Related Party Transactions

Administrative Expenses

The Saskatchewan Hog Assured Returns Program (SHARP) is administered by the Saskatchewan Pork Producers Marketing Board. The Minister of Finance reimburses the Board directly for costs the Board incurs as administrator of the plan. Accordingly, these amounts are not included in these financial statements.

The Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan are administered by the Saskatchewan Beef Stabilization Board. The amounts reimbursed directly to the Board by the Department of Agriculture for costs charged as administration are not included in these financial statements.

5. S.H.A.R.P. Phase-out

The province has joined a national tripartite price stabilization scheme for hogs. The agreement calls for a complete phase-out of S.H.A.R.P. over the five years commencing April 1, 1986.

6. Subsequent Event

The Province has joined a national tripartite price stabilization scheme for cattle. The Province has announced its intention to phase-down and terminate The Cow Calf to Finish Market Insurance Plan and The Feeder Finish Market Insurance Plan by January 1, 1991.

7. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with the 1988 presentation.